



David B. Wescoe
Administrator/CEO

June 11, 2009

Councilmember Donna Frye
City of San Diego
202 C Street, MS 10A
San Diego, CA 92101

Re: DROP Cost Neutrality: Your Memorandum to me, dated June 4, 2009

Dear Councilmember Frye:

Thank you for your inquiry about whether SDCERS or Cheiron has "ever made a determination regarding the cost neutrality of the DROP program?"

No, neither SDCERS nor Cheiron has made a determination about DROP's cost neutrality. Because DROP is a City-enacted benefit, SDCERS' only role in the program is to set the interest rate on DROP participation accounts and DROP annuities and to deliver DROP benefits to eligible members of the System. As such, either the Mayor or the City Council would be the proper parties to undertake a comprehensive cost analysis of DROP.

If you have any other questions about DROP or SDCERS, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "David B. Wescoe", is written over a horizontal line.

David B. Wescoe

cc: Andrea Tevlin, Independent Budget Analyst